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July

**Canadian Investment Fund, LTD.
Canada's Original Mutual Fund
40th Annual Report 1972**



Canadian Investment Fund, LTD.

Directors

Graham F. Towers, C.C., C.M.G., *Chairman*

David W. Barr

Henry Borden, O.C., C.M.G., Q.C.

Hugh Bullock, K.B.E.

Alan Chippindale

G. Blair Gordon

G. Arnold Hart, M.B.E.

William S. Kirkpatrick

Lucien G. Rolland

Ian D. Sinclair

Officers

Hugh Bullock, *President*

A. Blaikie Purvis, *Vice-President and Secretary*

Thomas C. Camp, *Vice-President*

Rolland A. Peloquin, *Treasurer*

Carl J.S. MacCallum, *Assistant-Secretary*

M.L. Ansley, *Assistant-Treasurer*

Custodian

The Royal Trust Company

Montreal

Transfer Agents

The Royal Trust Company

Vancouver, Calgary, Regina, Winnipeg,

Toronto, Montreal, Charlottetown

The Trust Company of New Jersey

Jersey City

Auditors

Price Waterhouse & Co.

Montreal

Highlights

Year ended December 31	1972	1971
Total Net Assets	\$192,114,269	\$171,977,572
Net Asset Value Per Share	\$5.38*	\$4.70
Cost of Investments	\$ 94,539,364	\$ 92,507,776
Market Value of Investments	\$171,371,923	\$148,217,561
Balance of Realized Profits	\$ 56,179,758	\$ 52,688,177
Unrealized Profits	\$ 76,832,559	\$ 55,709,785
Shares Outstanding	35,682,734	36,568,527
Total Dividends Paid	\$ 7,221,885	\$ 6,308,939
Dividends Paid per Share	20¢	17¢

* 40 Year Record High

To the Shareholders:

This is the fortieth annual report of Canadian Investment Fund, Ltd. December 1932 might not have been considered the most appropriate time to begin a new investment concept in Canada. True, there had been closed-end investment companies whose shares usually had bonds or preferred stock ahead of them, but the idea of selling units in a diversified stock fund which could be redeemed at full net asset value whenever one chose was a new idea for Canadians. New investment ideas at the bottom of the greatest economic depression in North American history were not easy to sell.

Excessive speculation often produced disastrous results for individual investors who had been eager for gains but who had not adequately investigated the underlying realities. Major corporations employing thousands were shutting their doors.

Nevertheless by the time Canadian Investment Fund, Ltd. had been in operation for a year, it boasted 484 shareholders and investments of \$734,000.

Since then, there have been wars, recessions and many bear markets, but CIF shareholders have enjoyed a gain, including dividends paid, in 32 of those 40 years. In fact \$10,000 invested at inception would have been worth \$256,572 on December 31, 1972 assuming all dividends had been reinvested. It is this record of consistency which makes CIF one of the highest quality investment vehicles available to investors in Canada and abroad.

Very high growth is normally associated with high volatility. Many CIF shareholders invest on a regular basis for long-term objectives. It is important that their savings produce a satisfactory return when needed for a specific purpose, such as higher education or retirement. For forty years CIF has provided its shareholders with that kind of safety, continuity and growth.

Your management looks forward to serving present and future shareholders forty years hence, in the Canada of the twenty-first century, with the same unswerving loyalty to the principles that have enabled CIF to grow since its inception four decades ago.

Detailed information on the Company's position and operations during the past year, as well as brief reviews of its long-term history and record appear in this report. Also presented, on behalf of the Board of Directors, are complete financial statements for the fiscal year 1972, the Auditors' Report, a full list of investments and changes, and tax information.

We hope you will find this report of interest and would be happy to have the opportunity to answer any questions shareholders may have.

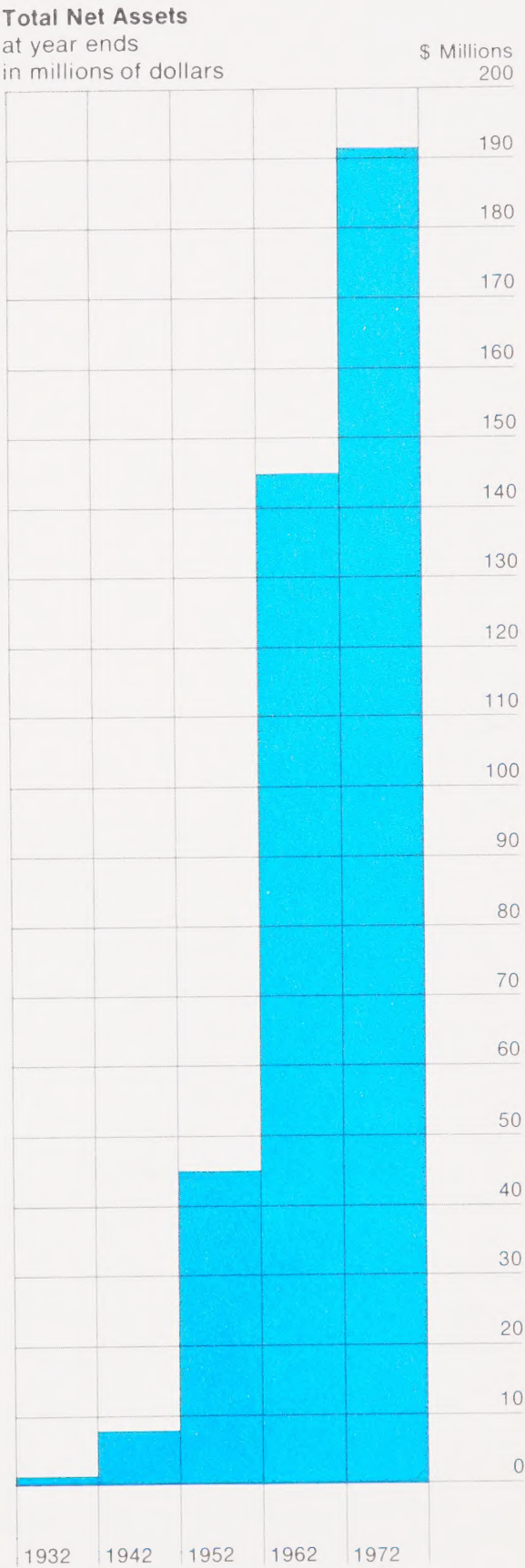
By order of the Board of Directors

Hugh Bullock

President

February 26, 1973.

- Shareholders are to be found in every province of Canada as well as many other parts of the world, and include a wide variety of individuals and organizations.
- CIF total cumulative shareholder benefits exceeded the Fund's net assets at the end of 1972. The total of over \$250,000,000 was made up of over \$118,000,000 in dividends paid, a balance of profits realized on investments exceeding \$56,000,000, and unrealized profits of over \$76,000,000.
- Despite continuing rising costs of doing business, your Company's total operating expense ratio was only 50/100ths of 1% of average net assets. This is unusually low by industry standards.



The Fund's growth since its inception in December 1932 is shown graphically at right.

Investment Supervision

Your Company's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies. Assets under its supervision at year-end exceeded a billion dollars.

Directors

The Directors of your Company are elected by the shareholders. They receive reports weekly showing portfolio changes, sales and redemptions of shares and other pertinent operating figures. At regular quarterly meetings they review portfolio transactions and set overall investment policy for the ensuing quarter based on recommendations of the Investment Supervisor.

The individual Directors are also constantly available to the Investment Supervisor to hold discussions and provide opinions concerning their particular fields of business endeavour, as well as domestic and world developments affecting the trend of economic and financial affairs.

On the opposite page you will find the names of the Directors including a brief summary of their background and affiliations.

Blaikie Purvis, President and Managing Director; Rolland Peloquin, Vice-President and Treasurer; Carl MacCallum, Vice-President, Investments of Calvin Bullock, Ltd., Canada, discussing a report to CIF Directors.



The Board of Directors



Chairman
Graham F. Towers, C.C., C.M.G.
Original head for 20 years,
Bank of Canada, Director,
Canada Life Assurance Company,
and Moore Corporation Limited.



President
Hugh Bullock, K.B.E.,
Chairman and Chief
Executive Officer, Calvin Bullock,
Ltd., New York and Chairman or
President of other investment
companies under Calvin Bullock
supervision. A pioneer in the
investment company industry with
over 40 years of investment
experience.



David W. Barr,
President and Director, Moore Corp.
Limited; Director, National Trust Co.
Ltd., The Canada Life Assurance
Company, Dominion Paper Box Co.
Ltd., The Dominion Insurance
Corporation, Moore Business
Forms, Incorporated.



G. Arnold Hart, M.B.E.,
Chairman and Chief Executive
Officer, Bank of Montreal;
Director, Canadian Pacific Limited,
The International Nickel Co. of
Canada Limited, Sun Life
Assurance Co. of Canada.



Henry Borden, O.C., C.M.G., Q.C.,
Chairman, Canada Security
Assurance Company; Director, Bell
Canada, Brascan Limited, I.B.M.
Canada, Massey-Ferguson Limited.



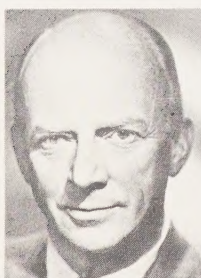
W. S. Kirkpatrick,
Former Chairman, Cominco Ltd.;
Director, Dominion Bridge Co. Ltd.,
Eldorado Nuclear Limited.



Alan Chippindale,
Former President, Calvin Bullock,
Ltd., Montreal, and an executive
officer of CIF from inception in
1932. A mutual fund industry leader
in Canada for over 35 years.
Founding past President of The
Canadian Mutual Funds
Association.



Lucien G. Rolland,
President, Rolland Paper Co. Ltd.;
Director, Bank of Montreal, Bell
Canada, The Steel Company of
Canada, Ltd., Canadian Pacific
Railway Co.



G. Blair Gordon,
Director, British America Assurance
Co., The Mutual Life Assurance Co.
of Canada, The Western Assurance
Co., The Royal Trust Company.



Ian D. Sinclair,
Chairman and Chief Executive
Officer, Canadian Pacific Limited;
Director, The Royal Bank of
Canada, Sun Life Assurance
Company of Canada Limited,
TransCanada Pipelines Limited,
Union Carbide Canada Limited.

Forty Years Under Calvin Bullock Supervision

December 5, 1932 — Canadian Investment Fund, Ltd., the first Canadian mutual fund, was established. It incorporated the main features so common in mutual funds today — provision of professional investment management at low cost, safety of diversified investment in the stocks of quality Canadian corporations, dependable dividend income and redemption privileges at the daily calculated net asset value. Today CIF is one of many mutual funds which offer alternative investment choices to the public who have over \$2.5 billion dollars invested in the medium pioneered by Calvin Bullock in Canada.

In 1933 Canada had a population of scarcely 10 million and the Dow Jones Index ended up the year at 60 points. Canada's gross national product that year was \$3.8 billion, a far cry from the \$100 billion of goods and services being produced by Canadians today. Not all statistics have pointed upwards over the forty years. The purchasing power of a 1933 dollar has declined over the period so that today it would buy only 33¢ worth of goods. (See chart on page 9).

Over the years:

1939 — Canada entered World War II. CIF passed \$10 million in assets and had almost 5,000 shareholders.

1958 — CIF's assets grew to over \$100 million for the first time and the number of shareholders exceeded 20,000.

1962 — Alan Chippindale, then Managing Director, became the first President of The Canadian Mutual Funds Association, a body formed to safeguard the interests of mutual fund shareholders.

1970 — Excesses of several years' speculation were wrung out of the market, the Dow Jones Index plunged to 631 points and massive losses occurred in North American stock markets. CIF, however, posted further gains in net asset value per share including dividends paid.

1972 — CIF closed out the year at \$5.38 per share, an all-time record high net asset value. Dividends, including a capital gains distribution for the first time, were the highest paid to date. The Dow Jones passed through 1000 for the first time and Canada's Gross National Product exceeded \$100 billion.

The future — CIF will continue to be managed according to the clearly stated principles in its prospectus. These are protection of capital, provision for reasonable dividend income, marketability of the underlying portfolio stocks and opportunity for capital growth.

The Common Stock Investment Policy of Your Company

CIF's objective is to seek a balance between reasonable income and long-term capital growth.

At December 31, 1972 CIF owned common stocks of 39 Canadian Corporations and 4 U.S. Corporations operating in more than a dozen different industries. The principal concentration of investments was in companies engaged in the production or processing of Canada's rich natural resources and in the financial and food and beverage industries. The petroleum group accounted for 14.16%, the mining and heavy industry 9.46%, the public utility group which included natural gas, 9.10%, and banks and other financial institutions 20.44% of net assets.

Participation in Canada's Future

Canadian mutual funds, as well as other investment companies and pension funds, have played an increasingly important role over the past decade in channeling the savings of investors both in this country and overseas into Canadian common stocks. The total value of this portion of the portfolios of Canadian mutual funds alone increased from some \$500 million to \$1½ billion during the decade.

CIF has one of the highest "Canadian content" portfolios in the industry, and will continue to attract investors of all sorts who are interested in owning a stake in Canada's future.

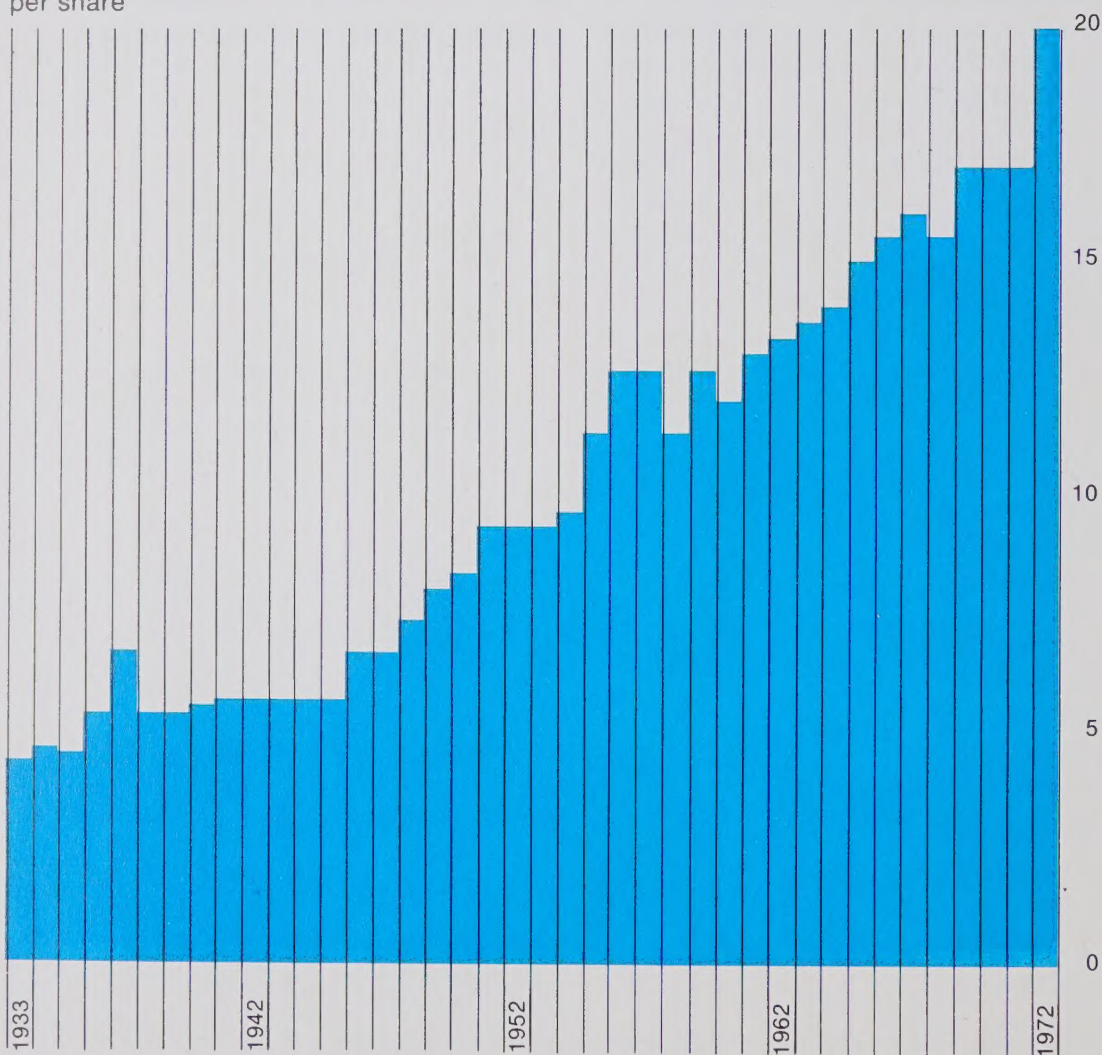
Shown below are the ten largest individual common stock holdings at December 31, 1972.

	Original Cost	Market Value
Moore Corporation	\$3,881,906	\$18,270,000
Hiram Walker	2,448,872	13,187,500
Imperial Oil	3,116,335	11,880,000
Royal Bank of Canada	3,587,017	10,057,500
IAC Limited	3,854,623	9,506,250
Interprovincial Pipe	3,917,669	8,700,000
Bank of Montreal	4,693,113	8,550,000
TransCanada PipeLines	5,799,895	7,480,000
General Motors	4,307,024	6,453,494
Bank of Nova Scotia	3,111,972	5,212,500

Dividends

Dividends paid in 1972 totalled a record high 20 cents per share. Details of the make-up and Canadian tax status of this 20 cents are given on page 23. The chart below shows the substantial growth in annual dividends paid by the Fund since its inception. At the end of 1972 CIF had paid 159 consecutive quarterly cash dividends totalling more than \$117 million.

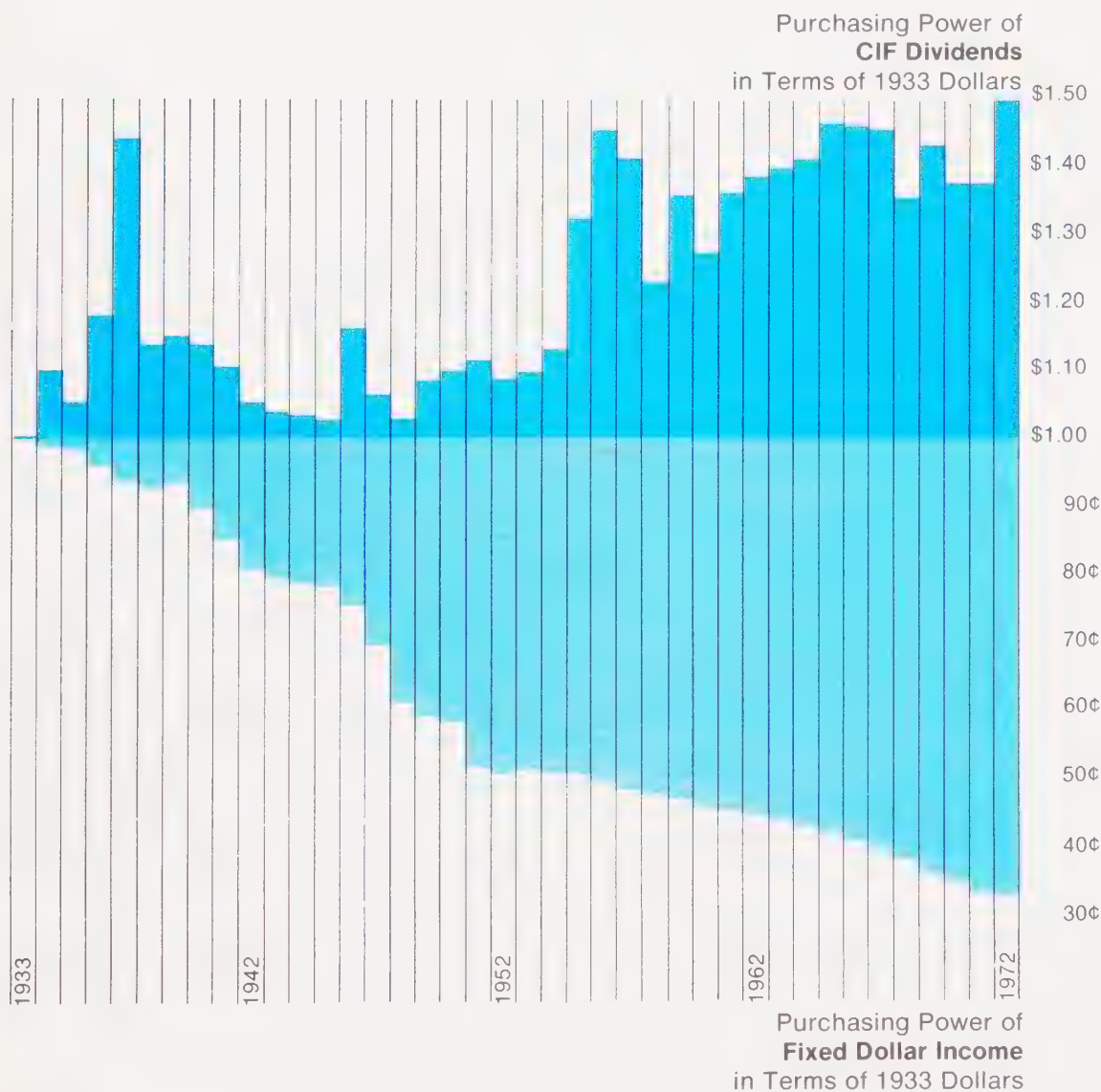
Dividends
annually in cents
per share



Protection Against Rising Prices

Throughout this century the cost of living has risen; a dollar buys fewer loaves of bread today than it did ten years ago. In the past, the market values of carefully selected common stocks have usually risen more than the cost of living, and so have their dividends. Though inflation has reduced the purchasing power of money, CIF shareholders have been protected against rising prices over the Fund's forty year history. CIF dividends in terms of 1933 dollars (upper part of the chart)

are compared to the continuous loss in purchasing power of a fixed dollar income over the period (lower part of the chart). Moreover, shareholders' capital has been protected from inflation over the same period. For example a \$10,000 investment in CIF at offering price on January 1, 1933 could have been liquidated for \$52,957 at the end of 1972, a capital gain of 429% compared with the 212% rise in the official cost of living index in the period.



It is difficult to believe, looking back on one of the most prosperous years in our nation's history, that at mid-year there was such a prevalence of negative opinion regarding our economic prospects. Economic indicators such as money supply, growing corporate profits, higher housing starts and so on, generally pointed to better economic conditions. However complex situations, international in scope, such as the future of currency relationships and world peace prospects, seemed to have a depressing effect on investors accustomed to a more domestically oriented market.

But the inevitable weight of positive economic facts finally made itself felt. The 22% gain in the Toronto Industrial Index was the best in over a decade. The GNP averaged over 10% higher in each of the first three quarters than a year earlier, and showed signs of reviving strength toward year-end after a weak third quarter. Capital spending was up some 7% versus a predicted 3%, while housing starts grew by an impressive 20%. Consumer spending expanded rapidly even while personal savings grew to record highs. The high savings could reflect concern over lurking unemployment which, however it is defined, was unsatisfactorily high at 6.8% seasonally adjusted in December.

Although prices rose rapidly in Canada, the rate of increase was less than in all other industrialized countries except the U.S. and Japan. In Canada credit continued to be made available as required and interest rates stabilized as did the dollar vis-a-vis the U.S. dollar. Corporate profits overall grew at about 15% pre-tax. Although sharp divergences continued to develop on the price to earnings value of different stock groups, the market performed well, if not smoothly. CIF rose 18.7%, including dividends.

It appears that GNP could grow almost as fast in 1973 as last year, divided approximately equally between real growth and price inflation. Growing incomes and presently high savings will enable consumer buying to remain strong. Also capital expenditures for new plant and equipment, projected to rise at 10% over 1972, will gradually assume greater importance as the year progresses.

Several distinguished economists have advised that Canada should impose price and wage controls. In previous cases of controls applied in other countries, government intervention did little if anything to blunt demand, but tended to postpone wage and price increases which resulted in a burst of inflation when the control was abolished. In the January Throne Speech the Government wisely rejected controls and thus opted for the maintenance of a free market where individual choice, however circumscribed or limited it might be in some cases, is to continue as the basis for prices of goods and services. Unemployment is liable to continue as a prime concern for 1973. Therefore reasonable availability of credit, particularly for business expansion and job creation, should be ensured. A small projected federal deficit, strong corporate cash flows and overseas provincial borrowing, should continue to permit stability of long-term interest rates and that most important price of all, the Canadian dollar.

Greater use of existing plant capacity in pulp and paper, metal refining, auto production, cement and other industries will improve productivity and pre-tax profits. It now appears that these processing industries will also benefit from tax reductions while overall corporate rates will rise slightly. Profit increases of a similar magnitude to last year are in store. These have not been discounted by the stock market judging by the price to earnings multiples early in the New Year.

Shareholder Services Designed to Meet Your Investment Objectives

Over the years mutual funds have developed many and varied services for their shareholders. CIF, as Canada's original mutual fund, has been among the leaders in this respect. One or more of the CIF services outlined below are being utilized by a substantial number of shareholders with estate planning or other definite objectives in mind.

CIF Growth Plan

This Plan is designed for anyone who wishes to make regular periodic contributions in order to build up his investment in CIF and to reinvest his dividends in new CIF shares. There are no penalties involved if the shareholder does not meet his proposed schedule of contributions. A Plan in which \$1,000 was invested annually in CIF starting January 1, 1933 with dividends reinvested, could have been liquidated for \$292,309 at December 31, 1972.

CIF Retirement Savings Plan

Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings in which currently tax-free dividends are reinvested, can use the CIF Retirement Saving Plan. It allows individuals in Canada to utilize important current tax savings to provide retirement income.

CIF Systematic Withdrawal Plan

This Plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed dollar amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not, enough shares are sold to make up the difference.

Deferred Profit Sharing Plan

This recently developed Plan, utilizes the provisions of Section 147 of the Income Tax Act. This Section permits companies incorporated in Canada to make contributions into this Trusteed Plan, on a voluntary basis. Yearly contributions of up to \$2,500 per employee are considered a corporate expense for tax purposes and are not added to the individual employee's income. Individual employees may still make contributions of up to \$4,000 annually to their personal Retirement Savings Plan resulting in possible annual tax-sheltered savings of \$6,500 per individual.

Letter of Intent

This permits an investor to make a series of purchases of CIF shares over a 12 month period, frequently permitting the investor to take advantage of a reduced sales charge based on the aggregate dollar amount of purchases during the period.

Full details of these Plans are available from any investment dealer in Canada, without obligation.

Statement of Net Assets — December 31, 1972

Assets	1972	1971
Investments at market value (average cost- 1972 — \$94,539,364; 1971 \$92,507,776)	\$171,371,923	\$148,217,561
Cash on deposit, demand	20,112,618	23,167,175
Interest accrued and dividends receivable	927,463	718,984
Due by subscriber to capital stock	132,633	135,561
Receivable in respect of securities sold	755,950	94,693
Prepaid income taxes	2,468	8,292
Total assets	193,303,055	172,342,266

Liabilities

Payable in respect of securities purchased	803,332	3,816
Payable for special shares of capital stock redeemed or purchased for cancellation	198,109	192,630
Management and directors' compensation payable	177,191	157,514
Accrued expenses and sundry accounts payable	9,707	10,284
United States withholding tax	447	450
Total liabilities	1,188,786	364,694
Net assets at market value	\$192,114,269	\$171,977,572
Net asset value per share	\$ 5.38	\$ 4.70

Shareholders' Equity

Capital stock:

Special shares of 33½ cents each (redeemable on demand by the holders at liquidating value as provided in the Letters Patent of the Company) —

Authorized —

105,000,000 shares of which 42,129,954 (1971 — 39,108,904) have been redeemed or purchased for cancellation from inception

Outstanding —

35,679,734 shares (1971 — 36,565,527 shares)

\$ 11,893,245 \$ 12,188,509

Ordinary shares —

Authorized and outstanding —

3,000 shares of 33½ cents each

1,000 1,000

Total capital stock	11,894,245	12,189,509
Surplus, per statements annexed:		
Paid-in surplus	45,539,982	49,793,167
Earned surplus	57,847,483	54,285,111
Total surplus	103,387,465	104,078,278
Unrealized appreciation of investments	76,832,559	55,709,785
Shareholders' equity as per net assets above	\$192,114,269	\$171,977,572

Approved on behalf of the Board:

HUGH BULLOCK, *Director*

ALAN CHIPPINDALE, *Director*

Statement of Income Account for the Year Ending December 31, 1972

Income:	1972	1971
Cash dividends	\$5,461,029	\$5,056,273
Bond interest	—	152,897
Interest on cash deposits	1,164,747	1,116,889
Proceeds — dividends in stock, and rights	—	55,520
	<u>6,625,776</u>	<u>6,381,579</u>
Expenses:		
Management	617,730	558,581
Transfer, dividend paying agent's and custodian's fees	122,554	77,840
General expenses and auditors' fees	86,196	65,047
Taxes, other than income taxes	3,606	3,423
Legal fees and expenses	15,743	9,382
Directors' compensation	85,500	85,500
	<u>931,329</u>	<u>799,773</u>
Net income before providing for the items shown below	5,694,447	5,581,806
United States withholding and Canadian income taxes paid and provided for	150,383	207,863
Net income, exclusive of profit or loss from sales of securities	<u>\$5,544,064</u>	<u>\$5,373,943</u>
Net income per share based on the average number of shares outstanding during the year	15¢	14½¢

Statement of Paid-In Surplus Account for the Year Ending December 31, 1972

	1972	1971
Balance at beginning of year	\$49,793,167	\$53,856,283
Less: Included in beginning balance of distribution account, per statement annexed	10,786	10,193
	49,782,381	53,846,090
Proceeds from special shares subscribed for during year, not including portion of subscription price credited to distribution account	10,819,463	7,030,188
Less: Par value thereof	711,752	522,333
	10,107,711	6,507,855
	59,890,092	60,353,945
Deduct: Consideration paid on redemption or purchase for cancellation of special shares during year, not including amount charged to distribution account	15,369,005	11,425,964
Less: Par value thereof	1,007,016	854,400
	14,361,989	10,571,564
	45,528,103	49,782,381
Portion of subscription price included in balance of distribution account	11,879	10,786
Balance of paid-in surplus at end of year	\$45,539,982	\$49,793,167

Statement of Earned Surplus Account for the Year Ending December 31, 1972

	1972	1971
Realized profits from sales of securities-		
Balance at beginning of year	\$52,688,177	\$45,403,794
Realized profits during year	5,277,705	7,928,464
	57,965,882	53,332,258
Deduct:		
“Capital gains dividend” of 3 cents per share paid in cash or stock-		
Special shares	1,070,401	—
Ordinary shares	90	—
“1971 capital surplus dividend” of 2 cents per share paid in cash-		
Special shares	715,573	—
Ordinary shares	60	—
	1,786,124	—
Amount transferred to distribution account (Note 3)	—	644,081
	1,786,124	644,081
Balance at end of year	56,179,758	52,688,177
Portion of balance of distribution account at end of year, per statement annexed	1,667,725	1,596,934
Balance of earned surplus at end of year	\$57,847,483	\$54,285,111.

Statement of Distribution Account for the Year Ending December 31, 1972

	1972	1971
Balance of income account, per statement annexed	\$5,544,064	\$5,373,943
Balance of distribution account at beginning of year	1,607,720	1,934,877
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	84,553	74,647
Transferred from profits on sales of securities an amount equal to management and directors' compensation charged to income (Note 3)	—	644,081
	7,236,337	8,027,548
Deduct:		
Dividends paid		
Special shares	5,435,311	6,308,429
Ordinary shares	450	510
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts	120,972	110,889
	5,556,733	6,419,828
Balance of distribution account at end of year	\$1,679,604	\$1,607,720
Included in paid-in surplus, per statement annexed	\$ 11,879	\$ 10,786
Included in earned surplus, per statement annexed	1,667,725	1,596,934
	\$1,679,604	\$1,607,720

Statement of Changes in Net Assets for the Year Ending December 31, 1972

	1972	1971
Net assets at beginning of year	\$171,977,572	\$166,316,038
Add (deduct) changes during year:		
Net investment income	5,544,064	5,373,943
Realized profits from sales of securities (Note 2)	5,277,705	7,928,464
Increase in unrealized appreciation of investments	21,122,774	3,100,084
Proceeds from subscriptions to special shares	10,370,150	7,104,835
Consideration attached to shares issued as dividend	533,866	—
Consideration paid on redemption or purchase for cancellation of special shares	(15,489,977)	(11,536,853)
Dividends declared on capital stock-		
From net investment income	(5,435,761)	(6,308,939)
From realized profits from sales of securities	(1,786,124)	—
	20,136,697	5,661,534
Net assets at end of year	\$192,114,269	\$171,977,572

	Per share	
Net asset value at end of year	\$5.38	\$4.70
Net asset value at beginning of year	\$4.70	\$4.42
Distribution out of net investment income (Note 3)	\$0.15	\$0.17
Distribution out of realized profits from sales of securities (Note 3)	\$0.05	nil

Investments

At December 31, 1972

	Number of Shares	Market Value†	Proportion of a \$10,000 Investment*
Common Stocks			
Automotive			
General Motors Corporation	80,000	\$ 6,453,494	\$ 336
Bank			
Bank of Montreal	400,000	8,550,000	445
The Bank of Nova Scotia	139,000	5,212,500	271
Banque Canadienne Nationale	40,000	630,000	33
Canadian Imperial Bank of Commerce	140,000	4,340,000	226
The Royal Bank of Canada	270,000	10,057,500	524
The Toronto-Dominion Bank	28,000	966,000	50
		29,756,000	1,549
Non-Bank Financial			
IAC Limited	450,000	9,506,250	495
Building			
Canada Cement Lafarge Ltd.	11,000	644,875	34
Chemical			
Canadian Industries Limited	100,000	1,512,500	79
Food and Beverage			
Burns Food Limited	25,000	481,250	25
Canada Packers Limited	125,000	2,734,375	142
Hiram Walker — Gooderham & Worts, Limited	250,000	13,187,500	686
		16,403,125	853
Heavy Industry			
Dominion Foundries and Steel, Limited	100,000	2,862,500	149
The Steel Company of Canada, Limited	100,000	3,700,000	193
		6,562,500	342
Mining			
Alcan Aluminium Limited	60,000	1,365,000	71
Dome Mines Limited	20,000	1,362,500	71
The International Nickel Co. of Can. Ltd.	90,000	2,846,250	148
Noranda Mines Limited	80,000	3,330,000	173
Placer Development Limited	45,000	1,771,875	92
Rio Algom Mines Limited	50,000	950,000	49
		11,625,625	604
Paper and Newsprint			
Abitibi Paper Company Ltd	125,000	1,312,500	68
Consolidated — Bathurst Limited	100,000	1,675,000	87
Crown Zellerbach Corporation	10,000	287,126	15
MacMillan Bloedel Limited	160,000	4,000,000	208
		7,274,626	378

Canadian Investment Fund, Ltd.

Investments

At December 31, 1972

Common Stocks (Continued)	Number of Shares	Market Value†	Proportion of a \$10,000 Investment†
Petroleum			
Exxon Corporation	30,000	\$ 2,610,234	\$ 136
Home Oil Company Limited "A"	10,000	402,500	21
Hudson's Bay Oil and Gas Company Limited	50,000	2,875,000	150
Imperial Oil Limited	240,000	11,880,000	618
Interprovincial Pipe Line Company	300,000	8,700,000	453
Texaco Canada Limited	12,000	720,000	38
		27,187,734	1,416
Public Utility			
Bell Canada	90,000	3,993,750	208
British Columbia Telephone Company	40,000	2,260,000	118
The Consumers' Gas Company	100,000	1,762,500	92
Trans Canada Pipelines Limited	170,000	7,480,000	389
Union Gas Company of Canada, Limited	165,000	1,980,000	103
		17,476,250	910
Retail Trade			
Dominion Stores Limited	30,000	431,250	22
Hudson's Bay Company	133,000	2,510,375	131
Woodward Stores Limited "A"	100,000	3,150,000	164
		6,091,625	317
Miscellaneous			
Canadian Pacific Limited	80,000	1,280,000	67
Imasco Limited	65,000	1,771,250	92
International Business Machines Corporation	5,000	1,998,694	104
Moore Corporation, Limited	348,000	18,270,000	951
		23,319,944	1,214
Total Common Stocks		163,814,548	8,527
Preferred Stocks			
Bell Canada \$3.20 Conv.	60,000	2,970,000	155
British Columbia Telephone Company 7.04%	28,000	616,000	32
Canadian Pacific Limited 7¼%	83,000	892,250	46
John Labatt Limited Series "A" \$1.00 Conv.	35,000	1,071,875	56
Trans Canada Pipelines Limited \$2.65 Conv.	37,000	2,007,250	104
Total preferred Stocks		7,557,375	393
Total investments		171,371,923	8,920
Cash, Exc., Net		20,742,346	1,080
Total Net Assets		\$192,114,269	\$10,000

†Investments valued at market quotations. Market values of United States securities are expressed in Canadian funds at the rate of exchange prevailing on December 31, 1972, 9:16 of 1% discount on U.S. funds.

*Dollar amount for each security represented by a \$10,000 investment in the Fund at asset value on that date.

Investment Changes

December 31, 1971 — December 31, 1972

Purchases	Net Increase	New Total
Common Stocks	Shares	Shares
Abitibi Paper Company Ltd.	125,000	125,000
Burns Food Limited	25,000	25,000
British Columbia Telephone Company	20,000	40,000
Canada Cement Lafarge Ltd.	11,000	11,000
Canadian Industries Limited	50,000	100,000
Canadian Pacific Limited	5,000	80,000
Dominion Stores Limited	30,000	30,000
Home Oil Company Limited "A"	10,000	10,000
Hudson's Bay Oil and Gas Company Limited	50,000	50,000
IAC Limited	30,000	450,000
Imasco Limited	65,000	65,000
Imperial Oil Limited	20,000	240,000
The International Nickel Company of Canada, Limited	7,000	90,000
Noranda Mines Limited	13,000	80,000
Placer Development Limited	45,000	45,000
The Toronto-Dominion Bank	28,000	28,000
Trans Canada Pipelines Limited	8,000	170,000
Preferred Stocks		
Bell Canada, \$3.20 Conv.	60,000	60,000
British Columbia Telephone Company, 7.04%	28,000	28,000
Canadian Pacific Limited, 7¼%	83,000	83,000
John Labatt Limited, Series A \$1.00 Conv.	35,000	35,000
Trans Canada Pipelines Limited, \$2.65 Conv.	37,000	37,000

Investment Changes

December 31, 1971 — December 31, 1972

Sales:	Net Decrease	New Total
Common Stocks	Shares	Shares
Alcan Aluminium Limited	10,000	60,000
Bank of Montreal	100,000	400,000
Banque Canadienne Nationale	60,000	40,000
Bell Canada	60,000	90,000
Canada Packers Limited	25,000	125,000
Canadian Imperial Bank of Commerce	10,000	140,000
The Consumers' Gas Company	100,000	100,000
Dome Mines Limited	10,000	20,000
Dominion Foundries and Steel, Limited	28,000	100,000
Dominion Textile Company Limited	50,000	Nil
MacMillan, Bloedel Limited	80,000	160,000
Rio Algom Mines Limited	67,500	50,000
The Royal Bank of Canada	30,000	270,000
Standard Oil Company (Ohio)	15,000	Nil
The Steel Company of Canada, Limited	7,500	100,000
Texaco Canada Limited	38,000	12,000
Union Gas Company of Canada, Limited	275,000	165,000
Preferred Stocks		
Dominion Glass Company Ltd., 7% Conv.	15,000	Nil
IAC Limited, 5¼%	40,000	Nil
Texaco Canada Limited, 4%	738	Nil
Trans Canada Pipelines Limited, \$2.75 Conv.	18,825	Nil
Zeller's Limited, 4½%	5,000	Nil

Notes to the Financial Statements December 31, 1972

Note 1: The number of special shares issued and redeemed or purchased for cancellation are as follows:

	1972	1971
Outstanding at beginning of year	36,565,527	37,561,727
Increase (decrease) during the year		
Issued		
For cash	2,033,236	1,566,999
As dividend	102,021	—
Redeemed or purchased for cancellation	(3,021,050)	(2,563,199)
Outstanding at end of year	35,679,734	36,565,527

Note 2: A summary of the realized profits from sales of securities are as follows:

	1972	1971
Proceeds from sales of securities	\$ 26,531,537	\$ 42,955,110
Investments at average cost at beginning of year	92,507,776	95,230,865
Cost of securities purchased	23,285,420	32,303,557
	115,793,196	127,534,422
Investments at average cost at end of year	94,539,364	92,507,776
Cost of securities sold	21,253,832	35,026,646
Realized profits from sales of securities	\$ 5,277,705	\$ 7,928,464

Note 3: As a result of revisions to the Income Tax Act the Company has amended its dividend policy and has distributed substantially all of its investment income and its capital gains (tax basis) for the year. It intends to continue this practice each year.

In prior years amounts available for distribution to shareholders included investment income and an additional amount equal to Management and Directors' compensation charged to the income account deemed to have been paid out of profits realized from the sales of securities.

Note 4: There are ten directors and seven officers of the Company. Two of the officers are directors. The nine directors who are remunerated received \$85,500 (1971 — \$85,500). None of the officers received remuneration in their capacity as officers of the Company.

Auditors' Report

To the Shareholders of
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd., as at December 31, 1972 and the statements of income, surplus and distribution accounts for the year then ended. We have also examined the statements of changes in net assets and in investments. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972 and the results of its operations and the changes in net assets and in investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Canadian Federal Income Tax Information

The Company has already sent to each shareholder a Federal income tax form T-5 (NR-4 in the case of non-resident shareholders) which sets forth the total amount of taxable dividends.

The table below shows the treatment for Canadian Federal income tax purposes of the per share dividends received from the Company during the calendar year 1972:

Dividend Payment Date	Total	Non Taxable	Taxable as	
			Canadian Dividend Income	Canadian Capital Gains
February 1	3¢		3¢	
May 1	3		3	
August 1	4		4	
November 1	7	2¢	5	
December 18	3			3¢
	20¢	2¢	15¢	3¢

Tax-Free Dividend

The dividend of 7¢ per share paid on November 1 included 2¢ which was a tax-free dividend out of the Company's 1971 capital surplus on hand. The amount of this dividend (2¢) is not taxable as income, but should be deducted from the cost of your shares in computing the adjusted cost base for capital gains purposes.

Capital Gains Dividend

The dividend of 3¢ per share paid on December 18 was a capital gains dividend which was payable in cash or stock at the option of shareholders. Regardless of whether this December 18 dividend was paid in cash or in shares, Canadian taxpayers should include only half of the amount received in their income as a taxable capital gain. Shareholders who elected to receive this capital gains dividend in shares of the Company should use \$5.232,904 as the basis of cost for each additional share received.

Other Taxable Dividends

The other dividends paid in 1972 totalling 15¢ per share represent income from ordinary dividends as shown in the table above and these are to be treated as Dividends from Taxable Canadian Corporations. The "actual amount" of these dividends is clearly shown on the Canadian Federal income tax form T-5 as sent to shareholders resident in Canada. The next amount shown is the "taxable amount" which is the actual amount received "grossed up" by 33⅓%. This is the amount that should be reported by Canadian taxpayers as income from this Company. Finally, the Federal tax credit is shown and this amount can be used as a credit against Canadian income tax otherwise payable.

Non-residents continue to receive Federal tax form NR-4 which shows gross amount of dividends and 10% non-resident tax withheld. The Capital Gains dividend is not shown on the NR-4 as no non-resident tax was withheld from that dividend which is not necessarily to be considered income, depending on the country in which the non-resident is filing his tax return.

Valuation Day

The official value of your Company's shares for Valuation Day purposes is \$4.70 per share which was the net asset value per share at the close of business December 31, 1971.

May We Recommend That Shareholders Preserve This Notice Carefully.

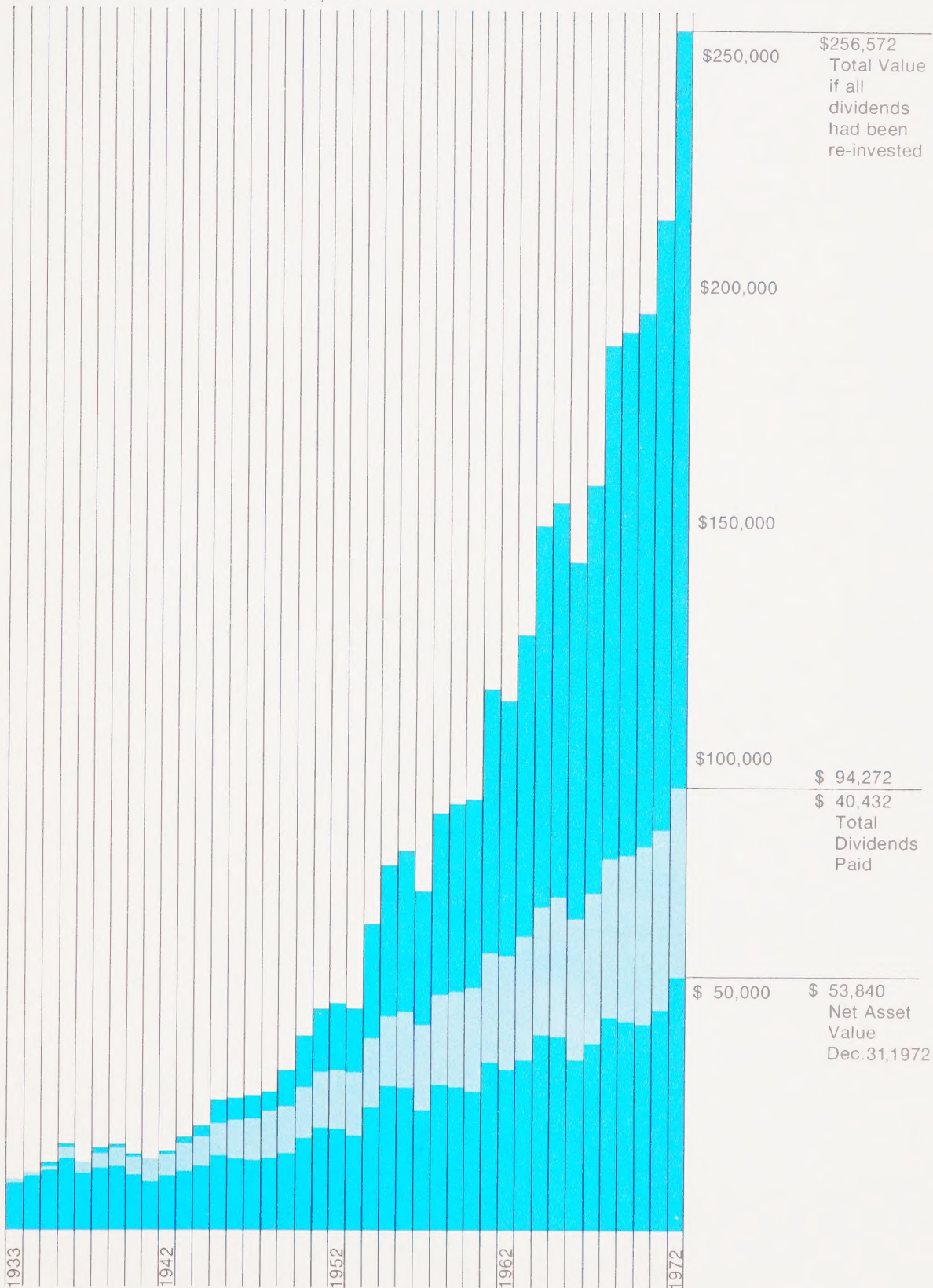
Long-Term Record

Shareholders may find it interesting to review the chart opposite which illustrates how an assumed investment of \$10,000 made at CIF's initial offering price in December 1932 had grown in the 40 years to the end of 1972. It should be pointed out that the figures make no provision for income taxes, if any, payable by the investor on dividends. Those interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, based primarily on dividend paying quality common stocks, should note the relatively minor fluctuations in the value of the investment from year to year, as well as the long-term results.



Canadian Investment Fund, LTD.

An Assumed Investment of \$ 10,000



Canada

*"Upon the whole surface
of the globe,
there is no more spacious
and splendid domain
open to the activity
and genius of free men."*

—Sir Winston Churchill